

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 59th LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON APPROPRIATIONS**

**Call to Order:** By **CHAIRMAN ROSALIE (ROSIE) BUZZAS**, on January 12, 2005 at 1:30 P.M., in Room 102 Capitol.

#### **ROLL CALL**

##### **Members Present:**

Rep. Rosalie (Rosie) Buzzas, Chairman (D)  
Rep. Carol C. Juneau, Vice Chairman (D)  
Rep. John E. Witt, Vice Chairman (R)  
Rep. Tim Callahan (D)  
Rep. Bill E. Glaser (R)  
Rep. Ray Hawk (R)  
Rep. Cynthia Hiner (D)  
Rep. Verdell Jackson (R)  
Rep. Joey Jayne (D)  
Rep. Ralph L. Lenhart (D)  
Rep. Walter McNutt (R)  
Rep. Penny Morgan (R)  
Rep. John L. Musgrove (D)  
Rep. Jon C. Sesso (D)  
Rep. John Sinrud (R)  
Rep. Janna Taylor (R)  
Rep. Jack Wells (R)

**Members Excused:** Rep. Christine Kaufmann (D)  
Rep. Eve Franklin (D)

**Members Absent:** Rep. Rick Ripley (R)

**Staff Present:** Marcy McLean, Committee Secretary  
Clayton Schenck, Legislative Branch

**Please Note.** These are summary minutes. Testimony and discussion are paraphrased and condensed. The time stamp for these minutes appears at the end of the content it refers to.

##### **Committee Business Summary:**

Hearing & Date Posted: HB 15, 1/6/2005; HB 36, 1/6/2005  
Executive Action: none

**HEARING ON HB 15**

(NOTE: Tape malfunctioned at beginning of meeting; started at Opening Statement)

**Opening Statement by Sponsor:**

**REP. JIM KEANE (D), HD 75**, opened the hearing on HB 15: appropriation to fund legislator participation in interstate training. After serving in his first session, he attended the Western Legislators Academy (WLA) for training and it caused him to realize the least educated group in the State of Montana is Legislators.

**(Tape: 1; Side: A; Approx. Time Counter: 0 - 1 REP. RIPLEY joined hearing)**

All expenses, except travel expenses, are paid for legislators to attend the (WLA). He was elected Class President and he was then able to travel to numerous conferences over the next year at the expense of the WLA. At these conferences, he interacted with legislators from other states and discovered, as an example, that Wyoming legislators are entitled to go to two training sessions each year. The value of talking to legislators from other states he felt has made him a much better legislator. The \$350,000 fiscal note to fund this expense was arrived at by calculating \$1,000 per legislator and \$25,000 for leadership over two years. He said he would like to have this money earmarked for new legislators to attend training.

[\*\*EXHIBIT \(aph08a010.PDF\)\*\*](#)

[\*\*EXHIBIT \(aph08a020.PDF\)\*\*](#)

**Proponents' Testimony:** none

**Opponents' Testimony:** none

**Informational Testimony:** none

**Questions from Committee Members and Responses:** none

**Closing by Sponsor:** **REP. KEANE** stated, "the proponents for this bill should be yourselves."

**Introduction:** Clayton Schenck introduced **Mary Fairchild, National Council of State Legislatures**. **REP. BUZZAS** thanked her for her help.

**HEARING ON HB 36****Opening Statement by Sponsor:**

**REP. CAROL LAMBERT (R), HD 39**, opened the hearing on HB 36: repay loan for startup costs of Defined Contribution Retirement (DC) Plan. The 1999 Legislature added the DC component to the state retirement plan. At that time, the Retirement Board was not in favor of the DC plan and requested that the state loan the retirement system to pay for the start-up costs. Estimates were that 20-30% of state employees would participate in the DC plan, but that has turned out to be only about 3%. **REP. LAMBERT** said she thinks this plan has failed and has brought several people to explain the workings of the plan.

**{Tape: 1; Side: A; Approx. Time Counter: 0 - 15}**

**Proponents' Testimony:**

**Mike O'Connor, Montana Public Employees Retirement Association (MPERA)**, stated, "HB 36 is a fairness bill." The Legislature made the decision to create this DC plan. All members of Public Employees Retirement System (PERS) can make the election to participate in the DC or the Defined Benefit (DB) plan, a plan that has been around for 55 years. The funding to establish the DC plan is an intercap loan from the state to be repaid by participants in the plan. This repayment requirement is causing an undue hardship on the participants. The start-up costs divided by the initial members of the plan is \$1,600/member. The start-up costs should be the responsibility of the Plan Sponsor, which is the State of Montana, since it was a policy decision to begin this DC plan. The repayment of this start-up loan is in Governor Schweitzer's budget and he urged the committee to support HB 36.

**{Tape: 1; Side: A; Approx. Time Counter: 15 - 19.6; Rep. Kaufmann joined hearing}**

**Will Hammerquist, Governor's Office**, explained funding for repayment of this loan is in the Governor's budget because 1) they believe it is the state's obligation to pay this in order to make an equitable situation for members of the DC Plan, and 2) having a surplus causes the Governor to believe this is a good time to pay down pre-existing debts.

**Jim Pierce, Bozeman Job Service**, stated he is a DC Plan participant and fellow employees in the DB Plan pay substantially

lower fees due to the start-up loan. HB 36 would benefit him and the approximately 1,000 other participants.

**Terry Teichrow, Public Employees Retirement Board**, explained DC participants are being charged fee that DB participants are not being charged and HB 36 would correct this. These expenses are deterring employees from joining the DC Plan.

**Opponents' Testimony:**

**Tom Schneider, Montana Public Employees Association**, said he does not oppose HB 36 because he believes it is unfair for DC Plan participants to bear this expense, but brought to the committee's attention a problem with this plan. It was established to accommodate the mobility of employees and allow them to move their retirement plan with them as they change jobs. However, the Legislature ruined the plan by adding a five-year vesting schedule into this plan. This created an inequity because another plan, TIF-CREF in the University system, does not have a five-year vesting requirement. Therefore, given the choice, the employee would not choose the DC Plan because of the five-year vesting schedule. There are currently 1,100 participants in the DC plan, however, it was projected that we would have 5,500 participants at this time. If this number had been reached, there would not be a bill asking for an appropriation to fund this plan. The vesting issue will not bring more people into this plan and therefore, the committee should consider whether this DC Plan should continue.

***{Tape: 1; Side: A; Approx. Time Counter: 19.6 - 27.8}***

**Eric Feaver, Montana Education Association-Montana Federation of Teachers (MEA-MFT)**, stated his organization opposed the DC plan from the beginning and think the committee should make the appropriation to kill the plan. It is a bad deal for current participants who are stuck in it and there will never be enough participants to pay off the administrative costs. The state will constantly have to be going back to the well to fund this plan.

**Informational Testimony:** none

**Questions from Committee Members and Responses:**

**REPS. BUZZAS, JAYNE, SINRUD, TAYLOR, JUNEAU, SESSO, WITT, AND MUSGROVE** asked questions of Mike O'Connor and Jim Pierce. **Mike O'Connor** explained that the intercap loan was between the Board of Investments and the Department of Administration and originally had a 10-year repayment plan. Since there is only a 3% employee participation in the plan, they renegotiated to a 15-

year repayment plan in order to bring down the costs per participant. DC plan participants pay 75 bp/year for administrative costs compared to the DB plan where they pay 25 bp (assessed against the participant's account balance). When the plan started, employees were told the fees would come out of their account balance. MPERA originally conducted over 600 seminars to explain the DC plan and continue to educate new hires. The original participation rate was 3% and has continued at that percentage. The five-year vesting schedule was done by Legislative action. If the DC plan were eliminated, participants would be transferred to the DB plan without an undue hardship. The initial amount of this loan was \$1.5 million with semi-annual payments, with a current balance of \$1.4 million. He said he would provide the committee with more detailed information on the original loan and remaining balance. **Jim Pierce** stated he chose the DC plan because he is optimistic about the stock market and if given the chance would choose it again. He said it appeals to the younger generation. **Will Hammerquist** stated he chose the DC plan because he is younger and he likes the mobility feature.

***{Tape: 1; Side: B; Approx. Time Counter: 0 - 22.6}***

**Closing by Sponsor:**

**REP. LAMBERT** said the 1999 Legislature made the decision to care the DC Plan and should have allocated money to pay for it.

**CHAIRMAN BUZZAS** reviewed the Proxy Form (yellow) and asked all committee members to sign a form, naming their Vice Chair as proxy, and give to Marcy McLean for her to make copies and keep on hand.

**ADJOURNMENT**

Adjournment: 2:47 P.M.

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REP. ROSALIE (ROSIE) BUZZAS, Chairman

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MARCY MCLEAN, Secretary

RB/MM

Additional Exhibits:

**EXHIBIT ([aph08aad0.PDF](#))**